

**RAILROAD COMMISSION OF TEXAS  
OFFICE OF GENERAL COUNSEL  
HEARINGS SECTION**

**RULE 37 CASE NO. 0236671  
DISTRICT 04**

**APPLICATION OF CAMDEN RESOURCES,  
INC., FOR AN EXCEPTION TO STATEWIDE  
RULE 37 FOR THE CASAS LEASE, WELL  
NO. 1, ROSITA, E. (WILCOX CONS.) FIELD,  
DUVAL COUNTY, TEXAS**

**FINAL ORDER**

The Commission finds that, after statutory notice in the above-numbered docket, heard on May 11-14, 2004, the examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record, and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the proposal for decision and the findings of fact and conclusions of law contained therein, and any exceptions and replies thereto, hereby declines to adopt the findings of fact and conclusions of law contained in the proposal for decision, and hereby makes the following findings of fact and conclusions of law.

**FINDINGS OF FACT**

1. On October 14, 2003, Camden Resources, Inc. ("Camden"), pursuant to the directive of the Commission's Permit Coordinator, filed with the Commission an amended Form W-1 for a Statewide Rule 37 exception permit for the as-drilled bottomhole location of the Casas Unit, Well No. 1, Rosita, E. (Wilcox Cons.) Field, Duval County, Texas ("Casas #1").
2. At least ten (10) days notice of the Camden Rule 37 application, and of the Commission's intention to consider whether the bottomhole or completion locations of the Casas #1 are reasonable and whether the well requires a new permit pursuant to Statewide Rule 11, was sent to all affected persons, who, for tracts closer to the proposed Rule 37 location than the greater of one-half (1/2) of the prescribed minimum between well spacing distance or the minimum lease line spacing distance, included the designated operator, all lessees of record for tracts having no designated operator, and all owners of record of unleased mineral interests.
3. The Casas #1 was originally permitted at a regular location 475' from the west line and 473' from the east line of the 81-acre Casas Unit. The well was spudded at this surface location by Camden during the third week of January 2001, and was completed on April 2, 2001.
4. On July 6, 2001, the Commission's Engineering Unit sent Camden a letter stating that completion papers filed by Camden could not be further processed and an allowable could not be assigned to the Casas #1 until Camden submitted additional data demonstrating that the well had been drilled as nearly vertical as possible or an amended Form W-1 was filed and a Rule 37 exception obtained for the as-drilled bottomhole location.

5. On July 24, 2001, Shell Western E & P, Inc. (now SWEPI L.P.) filed with the Commission a complaint regarding the Casas #1.
6. On July 30, 2001, the Commission noticed hearings in Oil & Gas Docket No. 04-0229075; *Commission Called Hearing to Determine If the Camden Resources, Inc. Casas Unit Well No. 1, Rosita, E. (Wilcox Cons.) Field Is In Compliance With Statewide Rules 11 and 37* and Oil & Gas Docket No. 04-0229076; *Commission Called Hearing On the Complaint of Shell Western E & P Regarding the Camden Resources, Inc., Casas Unit Well No. 1, Rosita, E. (Wilcox Cons.) Field, Duval County, Texas.*
7. The notice of hearing in Oil & Gas Docket No. 04-0229075 provided notice that a hearing would be held to determine if the Camden Resources, Inc., Casas #1 completion was in compliance with Statewide Rule 11 and Statewide Rule 37.
8. The notice of hearing in Oil & Gas Docket No. 04-0229076 provided notice that a hearing would be held to consider the complaint of Shell Western E & P regarding Camden Resources, Inc.'s Casas # 1 and that Shell Western sought determination of: (a) whether the Casas #1 should be shut in due to noncompliance with the well's permit and completion requirements; and (b) the well's allowable and overproduction.
9. A consolidated hearing was held by the Commission in Oil & Gas Docket Nos. 04-0229075 and 04-0229076 on November 14-15, 2001.
10. At the hearing in Oil & Gas Docket Nos. 04-0229075 and 04-0229076, the Commission received evidence as to the permitted location of the Casas #1, the Inclination Report (Form W-12) for the Casas #1, a partial directional survey run from 9,050' to 12,550' in the Casas #1, and the possible range of bottomhole and completion locations for the Casas #1 based on accumulative displacement shown by inclination surveys.
11. On May 9, 2002, the Commission issued Final Orders in Oil & Gas Docket Nos. 04-0229075 and 04-0229076. These Final Orders adopted Findings of Fact as follows:
  - a. Notice of this hearing was sent to all interested parties at least ten (10) days prior to the subject hearing.
  - b. Camden completed the Casas Unit No. 1 in the Rosita, E. (Wilcox Cons.) Field on April 2, 2001. The surface location for the well is 473 feet from the north line and 475 feet from the west line of the Casas lease.
  - c. Field rules for the Rosita, E. (Wilcox Cons.) Field require well spacing a minimum of 467 feet from lease lines.

- d. Completion papers for the subject well were filed with the Commission's District Office in Corpus Christi on June 8, 2001. The Form W-12 (Inclination Report) for the well indicates a maximum accumulative displacement of 467 feet at a depth of 16,840 feet.
  - e. The Commission assigned an allowable to the subject well on June 29, 2001 based on the completion papers filed by Camden. On July 6, 2001, the Commission notified Camden that completion papers for the Casas Unit No. 1 could not be processed and an allowable could not be assigned to the well because it could not be determined if the well was in compliance with Rule 11 and/or Rule 37. The well continues to produce approximately 10 MMCFD without an allowable.
  - f. Camden ran a partial directional survey on the subject well from 9,050 feet to 12,550 feet. In that interval, the well deviated 115 feet in a westerly direction and 76 feet in a northerly direction.
  - g. Based on Form W-12 submitted by Camden, the accumulative displacement of the Casas Unit No. 1 at total depth is 467 feet, which is less than the 473' distance to the nearest lease line. When the depth of the perforated interval is considered (15,840-15,888 feet), instead of total depth, the maximum displacement is 415 feet.
  - h. The accuracy of the inclination readings for the Casas Unit No. 1 reported on Form W-12 are confirmed by the partial directional survey.
  - i. The maximum displacement indicated by the inclination survey for the Casas Unit No. 1 is 467 feet. This distance is less than the 473 foot distance from the actual surface location of the well to the nearest lease line.
12. The Commission's Final Order in Oil & Gas Docket No. 04-0229075, served May 9, 2002, adopted the following Conclusions of Law:
- a. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
  - b. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
  - c. Shell failed to show probable cause to suspect that the Casas Unit No. 1 is not bottomed within the boundaries [of] its lease; therefore, the ordering of a directional survey of the Casas Unit No. 1, pursuant to Statewide Rule 11(e), is not justified.
  - d. Camden is not required to run a directional survey under the terms of Statewide Rule 11(c).
  - e. The Casas Unit No. 1 was drilled in compliance with Statewide Rules 11 and 37. The well should be assigned an allowable effective May 25, 2001.

13. The Commission's Final Order in Oil & Gas Docket No. 04-0229076, served May 9, 2002, adopted the same Conclusions of Law as those in the Final Order in Oil & Gas Docket No. 04-0229075, served May 9, 2002, and ordered that the complaint of Shell Western E & P be dismissed with prejudice.
14. Motions for rehearing in Oil & Gas Docket Nos. 04-0229075 and 04-0229076 were denied on June 25, 2002.
15. No judicial appeal was taken from the Commission's orders in Oil & Gas Docket Nos. 04-0229075 and 04-0229076.
16. On August 21, 2003, and September 4, 2003, two directional surveys were run on the Casas #1. These directional surveys established that the bottomhole and completion locations of the Casas #1 are within the range of possible bottomhole and completion locations considered by the Commission in Oil & Gas Docket Nos. 04-0229075 and 04-0229076.
17. Conditions have not changed materially since issuance of the Commission's administratively final orders in Oil & Gas Docket Nos. 04-0229075 and 04-0229076.
18. No new and unforeseen problems have arisen, and no mistakes have been discovered, since issuance of the Commission's administratively final orders in Oil & Gas Docket Nos. 04-0229075 and 04-0229076.

#### **CONCLUSIONS OF LAW**

1. Proper notice of hearing was timely issued by the Railroad Commission to appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in the hearing have been performed.
3. The Commission's administratively final orders in Oil & Gas Docket Nos. 04-0229075 and 04-0229076, served May 9, 2002, finally determined that the Casas #1 was drilled in compliance with Statewide Rules 11 and 37 and are controlling on the issue of whether a new permit is required for the Casas #1 pursuant to Statewide Rule 11 under the doctrines of *res judicata* and collateral estoppel. Because the Commission previously has determined by administratively final orders that the Casas #1 was drilled in compliance with Statewide Rules 11 and 37, the well does not require a new permit, and this issue cannot be relitigated.
4. The application of Camden Resources, Inc., for a new Rule 37 exception permit for the Casas #1 should be dismissed with prejudice.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Camden Resources, Inc., for an exception permit under the provisions of Statewide Rule 37 for the as-drilled bottomhole location of its Casas Lease, Well No. 1, in the Rosita, E. (Wilcox Cons.) Field, Duval County, Texas be and is hereby **DISMISSED** with prejudice.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE ' 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

Done this \_\_\_\_ day of \_\_\_\_\_, 2004.

**RAILROAD COMMISSION OF TEXAS**

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**CHAIRMAN VICTOR G. CARRILLO**

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**COMMISSIONER CHARLES R. MATTHEWS**

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**COMMISSIONER MICHAEL L. WILLIAMS**

**ATTEST:**

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**SECRETARY**